## Panel 3 Background and Introduction

By Mr. Harry Cook, President, National Waterways Conference

Thank you very much, Anatoly. The topic of our panel this morning is financing water transportation projects. Let me give you a very quick overview of financing water projects in the United States. For 200 years, from the nation's earliest origins up until 1980, we had a toll-free waterways policy applying to the inland waterways, coastal and Great Lakes ports.

The theory was that, in a competitive economy, the savings in transportation costs would be passed on to shippers, to receivers, to producers, manufacturers, processors and, of course, American consumers and taxpayers.

So, there was no effort to recover the costs of Federal investments in port and waterway improvements. And, of course, they began small in 1824, as we heard yesterday, and increased over time. There were two eras of dam-building and waterway development in the country, notably in the Depression years prior to World War II, and in the three decades following the war.

Shortly after World War II, a series of commissions recommended navigation cost recovery--the Hoover Commission, chaired by a former president of the United States; the Mueller Commission,chaired by Frederick Mueller, Secretary of Commerce; and the Doyle Commission, chaired by a former Air Force general who was commissioned by a Senate committee to study transportation policies. And this all happened in the 1950's.

This was the genesis by the way for the organization of the National Waterways Conference, which I'm privileged to represent today. The conference was organized in 1955 and chartered in 1960 to document the public value of Federal investment in waterway programs.

In 1975 through 1978 there was a national debate on waterway financing policy. It was precipitated by the need to replace and enlarge a congested lock on the Mississippi River System in Alton, Illinois, just north of the St. Louis. And the authorization of a replacement lock turned out to be a very difficult undertaking in the U.S. Congress because a newly elected senator from New Mexico and a very aggressive staff set about to impose user charges on inland waterway transportation.

And over a three-year period, they succeeded in elevating this debate until it became a national issue. There were Congressional hearings. There was debate on the House and the Senate floor. There were newspaper editorials. And during this process, half a dozen different financing mechanisms were suggested--ton mile charges, either uniform or segment-specific; a transportation waybill surcharge of, say, one percent; a lockage fee or toll, and segment charges.

With segment charges, each segment of a waterway system would pay its own way. And we put out something called a toll meter, which took the charges per segment expressed in mills per ton-mile and related that to a barge-mile, showing what one barge carrying 1,500 tons of commerce moving one mile would pay in dollars and cents.

On the lower Mississippi, the fee would be only 15 cents to move that one barge one mile. But on, say, the Missouri River, the fee might be $13.50. Just to show the wide disparity between the mainline system and the tributaries, which I think succeeded in shooting that idea down.

The next idea was congestion charges so that congested locks and facilities would have a special charge, which would delay or forestall a replacement project.

On our side, some of our people were suggesting that we share customs revenues, or customs sharing. The Treasury already realized the billions of dollars coming in from customs. So, that didn't get anywhere.

In the end, there was a waterway fuel tax enacted, starting in 1980 at four cents a gallon ranging up to 10 cents a gallon by 1985.

In the meantime, President Reagan took office in 1981 and almost immediately called for cost-recovery user fees on the inland waterway system, and, for the first time, on the deep-draft waterway system. And that set off a five-year debate over how the deep-draft user fees should be structured.

The smaller ports were in favor of nationally uniform fees. The larger ports wanted port-specific fees. This debate was settled in 1986 with the passage of what we call landmark legislation or watershed legislation, if you will, that established a nationally uniform ad valorem fee to cover 40 percent of the costs of dredging and maintaining deep-draft access channels.

The legislation also included the requirement that non-Federal interest put up a certain share of the cost of deepening coastal channels, somewhere between 40 percent and 60 percent of the costs depending on the channel depth.

Although there was still some hope among inland operators that the inland waterways fuel tax might be repealed because of the impact on the users and detrimental effects on the system itself, this tax was doubled in the 1986 legislation from 10 cents to 20 cents per gallon.

But the effective date of the tax was delayed for five years. So, it didn't start taking effect until 1990. And it was implemented in stages. It reached 20 cents a gallon in 1995.

In the meantime, the Clinton Administration came into office. And in 1993 the administration made a very serious effort to increase the fuel tax by $1.00 a gallon to cover 100 percent of the operation and maintenance costs on the inland waterway system.

One-half of the operation and maintenance costs of the deep-draft system was covered by the initial ad valorem fee. And that was subsequently tripled from 40 percent to 120 percent of the costs. And that resulted in a big surplus in the Harbor Maintenance Trust Fund. So user charges have played a big role in financing our waterway system.

In the last eight or nine years, the administration has been working the other side of the street. Rather than submitting a realistic waterways budget, and then trying to recover it through some type of user fee or user tax or charge, the administration has year after year been low-balling the civil works request.

Congress fortunately has increased every year the funding up to a more realistic level. This year's budget is no exception. It limits investments in construction, and in operation and maintenance. And it particularly restricts the money for new studies that will start projects in the pipeline for authorization.

As you will hear in some detail from our panelists, it has taken a very concentrated effort to get Congress to restore the civil works appropriations to an acceptable level. The MTS, the Maritime Transportation System, initiative seeks to address some of the financing problems of the inland system.

Jeff High, who was on the program yesterday, has advanced an idea where funds coming into customs might be capped, so that the incremental increases resulting from increased imports and exports would be allocated to the marine system.

Federal budgeters have forecast the amount of revenue coming in from customs over the next few years at a certain level. However, projections by shipping companies, ports, and others indicate that international shipping, particularly in the container trade, may double or triple in the next 20 years.

So, the increase in customs collections may far outpace what is anticipated to come in. And this wedge of revenue from customs duties might be allocated to a navigation trust fund of some sort.

Well, sadly in the United States, as we've heard repeatedly yesterday, there's no official recognition of the important role which water transportation plays in reducing exhaust emissions, promoting cleaner air, relieving overland congestion, and moving a large share of America's freight in a very safe and efficient manner. I'm sorry to say that barges are not only unseen, but they're like Roger Dangerfield; they don't get the respect they deserve.